

ERP Overview –

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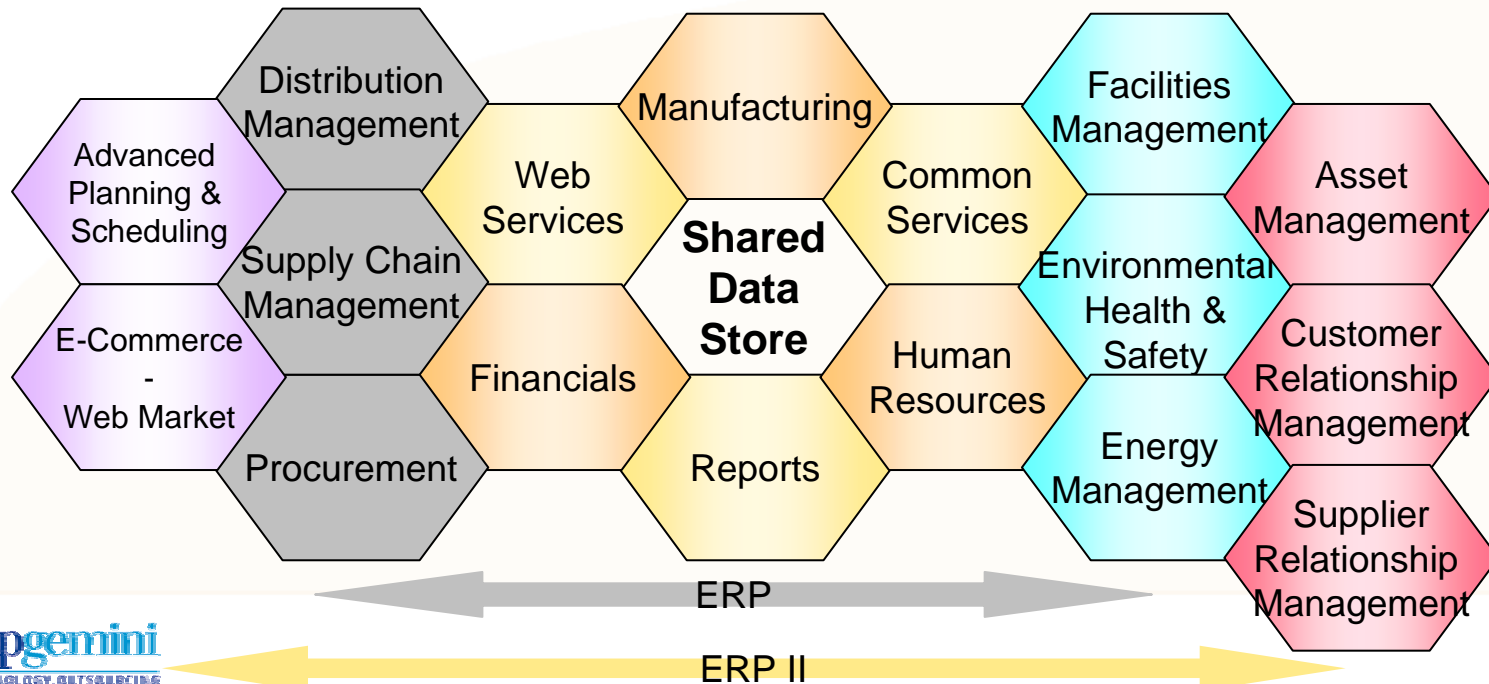
Objectives of the Meeting

- Provide an overview of Enterprise Resource Planning
 - Overview
 - Benefits
 - Critical success factors
- Describe the Business Landscape
 - Core software and bolt-ons
 - Key players
 - ERP vendors
 - Software integrators
- Discuss a Case study
- Review lessons learned

Enterprise Resource Planning Overview – What is ERP?

An ERP system is an integrated packaged business software system that allows a company to:

- ➔ Automate and integrate the majority of its business processes
- ➔ Share common data and practices across the entire enterprise
- ➔ Produce, access, and manage information in a real time environment
- ➔ Configure applications to meet business needs based on best practices across industries and companies (built into software)

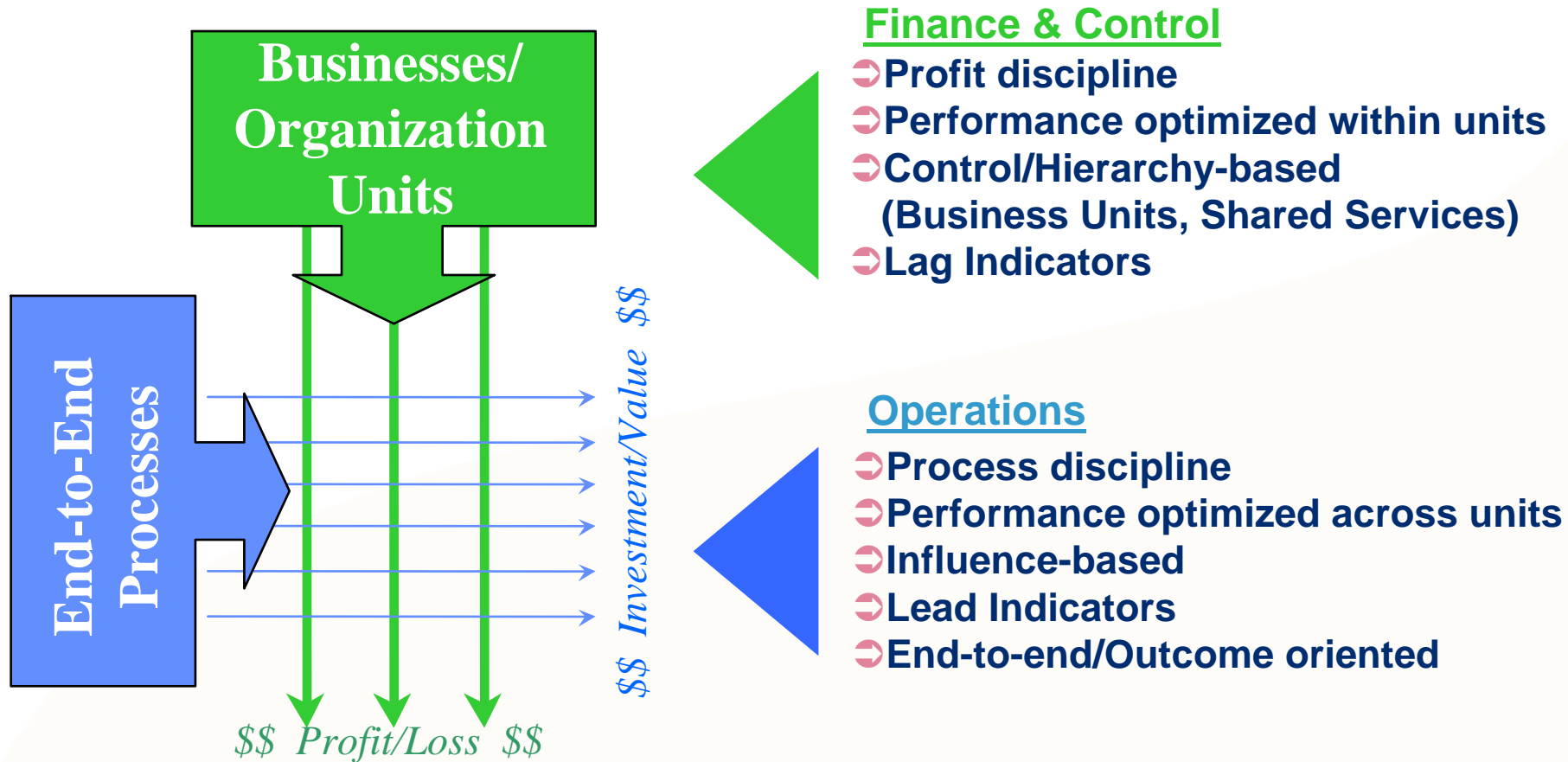


Enterprise Resource Planning Overview – History of ERP

- New class of planning and resource management information systems
- Concept grew out of Material *Requirements* Planning (1960's) in Manufacturing industry
 - Set of techniques that used inventory data, billing, and production schedules to calculate materials requirements for replenishment
- ERP evolved to enable integration of all processes across functions
 - SAP was the first – 5 former IBM employees created standard software for integrated business solutions (1972)
- Manufacturing *Resource* Planning (MRP II) introduced the concept of integrating financials with the manufacturing work-in-process (1980's)
- ERPs are now Commercial-Off-the-Shelf (COTS) business solutions specialized by business process, function, and industry, with three key elements:

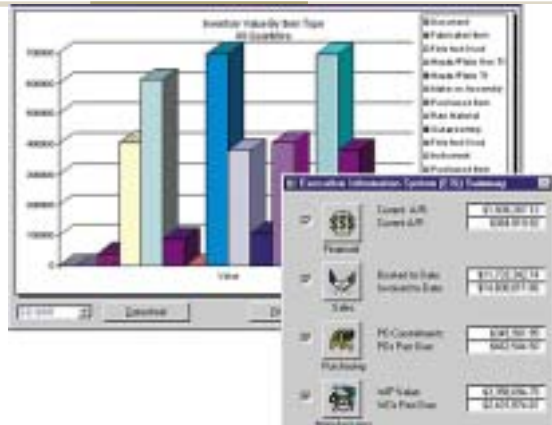
- **Data** – One common set for entire company, entered only once
- **Integration** – Process, store, and move data using a suite of software
- **Module functionality** – Process drives program interaction with databases

Benefits: ERP Enables Corporations to Optimize Performance Along Two Critical Dimensions



Successful ERP demands a common model for both views

What Is the Value to the Business?



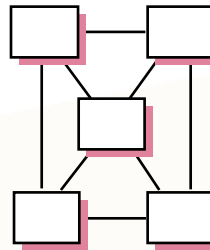
**Real time response
to business
problems**



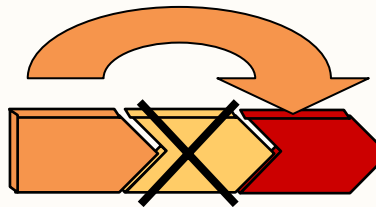
Reduction in costs



**Business processes cross
organizational “silos”**



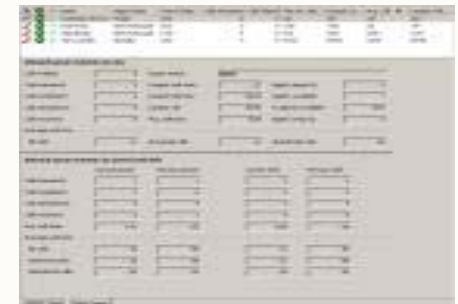
**Everyone sees the
same data**



**Eliminate non-value
add activities**



**Continuous process
improvement**



**Better
information for
decision making**

HR Technology Value Proposition

Function/Process	If	Then
Employee Self Service (ESS) and Manager Self Service	<ul style="list-style-type: none"> •Employee access to general HR information and personal HR-related information •Line Manger responsible for HR transactions for direct reports 	<ul style="list-style-type: none"> •Employee and Manager self service: Consistent and timely HR information can be disseminated to employees and managers; employees may directly enter or update personal data to the central database; and transactions can be completed by employees or managers

Traditional	Leading Practice
<ul style="list-style-type: none"> •Transactions performed by HR department •Paper based EE communications •HR has heavy transactional emphasis (low value add) 	<ul style="list-style-type: none"> •EE's perform queries & updates via Intranet •Electronic Paystubs; on line benefits enrollment; training requests etc •Automatic electronic routing of documents for approval •HR has strategic/decision support emphasis (high value add)

Benefits:

- Reduce EE & manager time to access and provide HR information--improving productivity
- Increase consistency of policies, processes & procedures communicated to the EE population
- Streamline communications/ reduce duplication of effort
- Increase EE and manager responsibility of HR data
- Remote/On-line Org directories; time sheet & expense input & query; EE purchase requisitioning

Costs:

- Additional computers/ kiosks (\$K)
- Development (\$K) including:
 - technical infrastructure
 - software
 - design
 - programming
 - training/communications

Value:

- Value gained from HR employees accessing information and processing transactions more efficiently (\$K)
- Redirection of HR staff to higher value add activities (\$K)
- Savings from development and printing of HR publications (\$K)
- "Soft" productivity gains from employees accessing information and processing transactions with greater efficiency (\$K)
- The possibility exists to recognize savings of nearly \$M million over 5 years in labor, printing, and telephone costs

Comparative Benchmarks:

- Av. cost per HR transaction \$35
- Av. # transactions/EE/year 15
- Reduction in HR transactions 15%
- Example target savings from using SAP ESS - \$1.2M - \$3.5M pa
- Electronic pay stub savings \$100K pa

Overcoming Barriers to Change:

Barrier:

- Line manager reluctance
- EE PC/keyboard literacy
- EE access to kiosks/PCs
- Security considerations
- Challenges to HR job security

Example Approach:

- Revise performance goals/rewards
- Training & education program
- Site/user surveys
- Strict security policy enforcement
- Communications program

Source of Value:

Quality	Customer Service	Cycle Time	Cost
X	X	X	X

Example potential cost savings

HR Area	Savings Achieved*	Examples of Transformation in HR
Compensation & Benefits Management <ul style="list-style-type: none"> Comp & Benefits Administration Payroll 	Up to 20%	<ul style="list-style-type: none"> Consolidation of various HR operations and the development of an HR call center with interactive voice response system
Transaction Processing <ul style="list-style-type: none"> Employee Self-Service Manager Self-Service eRecruiting 	20% – 40%	<ul style="list-style-type: none"> Implementation of ERP self-service module to enable employees and managers to perform transactions directly with disintermediation of HR resources resulted in reduction of headcount and operational HR costs by 20%
Workforce Excellence <ul style="list-style-type: none"> eLearning Knowledge Management & Community World Class Productivity 	20% - 50%	<ul style="list-style-type: none"> Implementation of web-based learning enabled reduction of cost per training hour by 40% and reduced training development costs by 10%. Leveraging Portals enabled automation of data input into core systems, reduced 70 positions globally and increased training time by 20% with out any productivity loss.
Transformational Outsourcing	Over 10%	<ul style="list-style-type: none"> Transformational outsourcing of non-core functions such as HR transaction processing resulted in recurring savings of overall costs, reduction in 12% HR FTE and reduced HR cycle times by a minimum of 20%.

* The benefits of improving the performance of corporate functions impacts both the corporate functions within as well outside firm-wide. The external benefits can be significant and include e.g., firm-wide productivity improvements that can result in improved revenue generation, improved employee retention, increased & improved client service delivery and connectivity. The actual benefits varies significantly from firm to firm depending on the cost approach taken and the technology infrastructure

Critical Success Factors

■ Manage Expectations – THE WHY

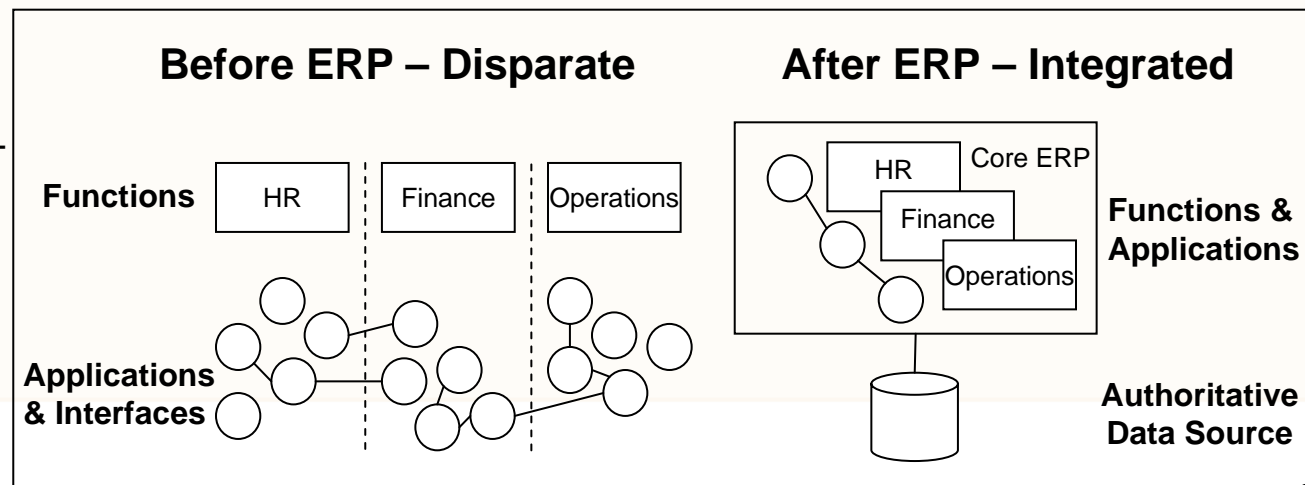
- Maximum use of COTS templates – take advantage of the best practices built in
- Focus on the 'to-be' business processes, not the 'as-is' situation
- Experienced Project Manager familiar with the package is a must

■ Know Your Scope – THE WHAT

- Clarify the business mission capability needed – end-to-end requirements
- Testing is key - validate configuration with iterative process and test, test, test

■ Pick the Right Approach – THE HOW

- Selection and planning: addresses two most critical ERP technology issues:
 - Scope and scalability
- Complexity – Realign processes to fit applications (business process management)
- Risk Management
- Timeline / Schedule
- Strategic Alignment – integration of business processes and IT



Critical Success Factors (cont.)

■ Focus on the Stakeholders – THE WHO

- Involve users throughout (start to finish)
- Focus on culture/change-orientation
 - Effective communications and training before, during *and after* implementation!

■ Have Committed Sponsors – THE BACKERS

- Strong support from Senior Leadership – and across the chain of command

■ Avoid Customizations – Stick to Standard Functionality – THE ENABLER

- No vendor can “do it all” – but changes and customizations are costly to make, and to maintain, strong business case should be required for any customization

■ ‘Go-Live’ is not the end of the project – Continuous Improvement

- Document all new business processes, re-write job descriptions, formalize training
- Consider applications maintenance contract
- New system demands will appear -- upgrade the ERP system and maintain support

■ Availability of key resources is essential for a successful implementation

- Needs buy-in from the organization/stakeholders
- ERP is an enabler -- key resources know processes to be supported and in what way

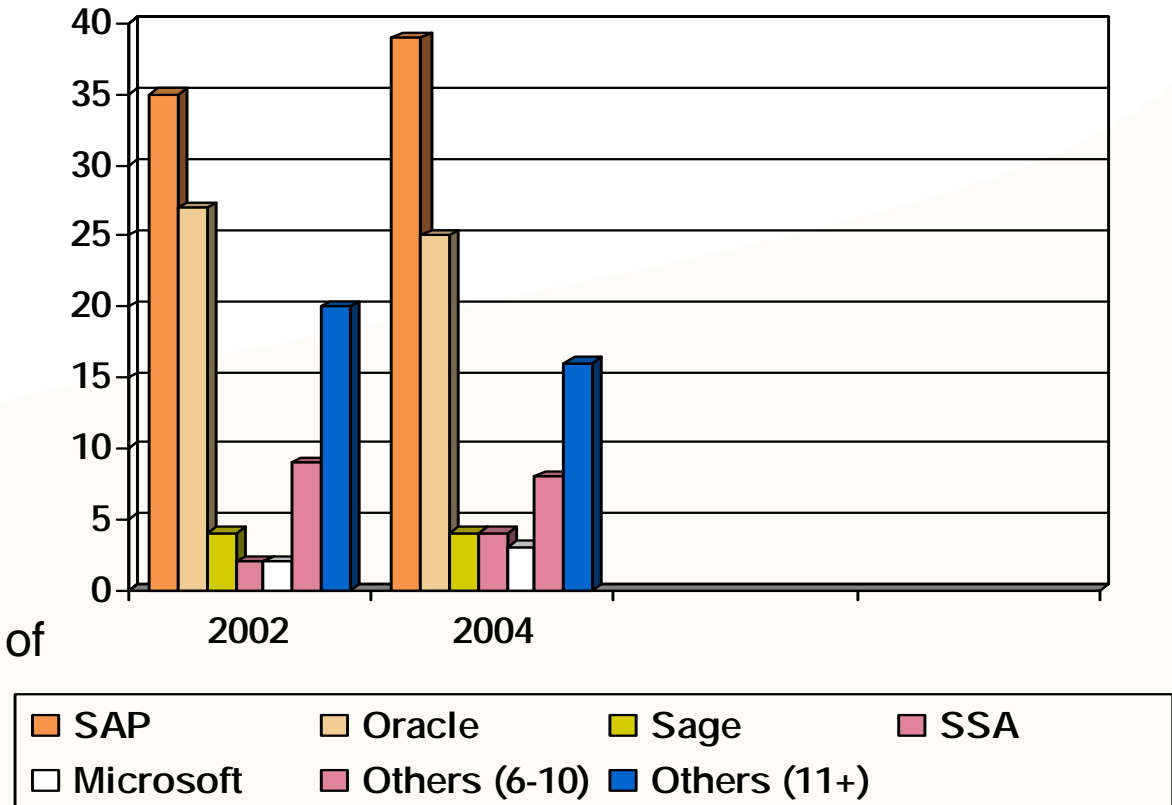
What is the ERP market place like?

- \$22B in 2004 vs \$20B in 2002

- 8 -10% + growth per year

- The top 2 players now own more than 60% of this market with consolidations of JDE, PS, and Oracle

ERP Vendors

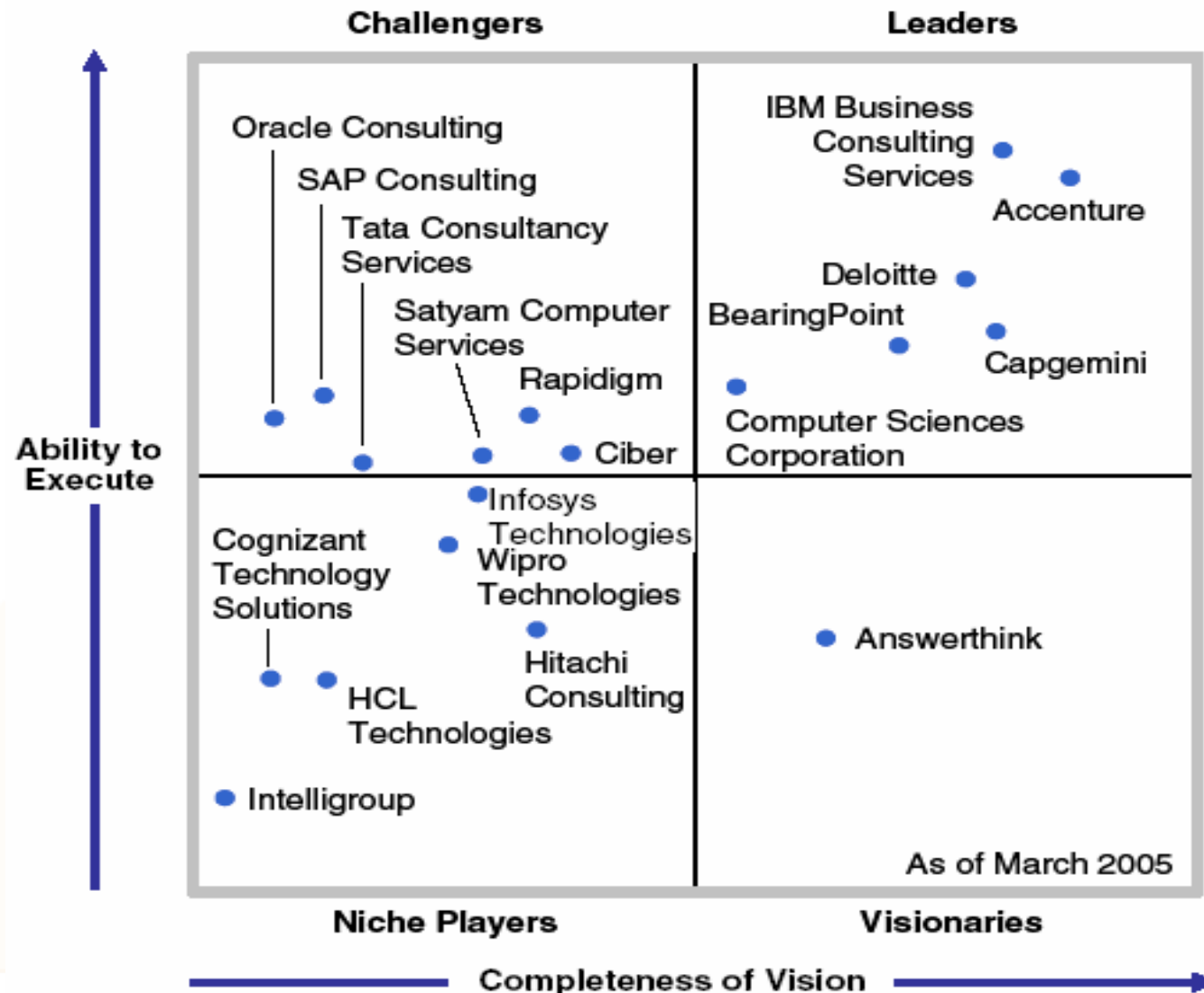


Oracle includes JDE & PeopleSoft

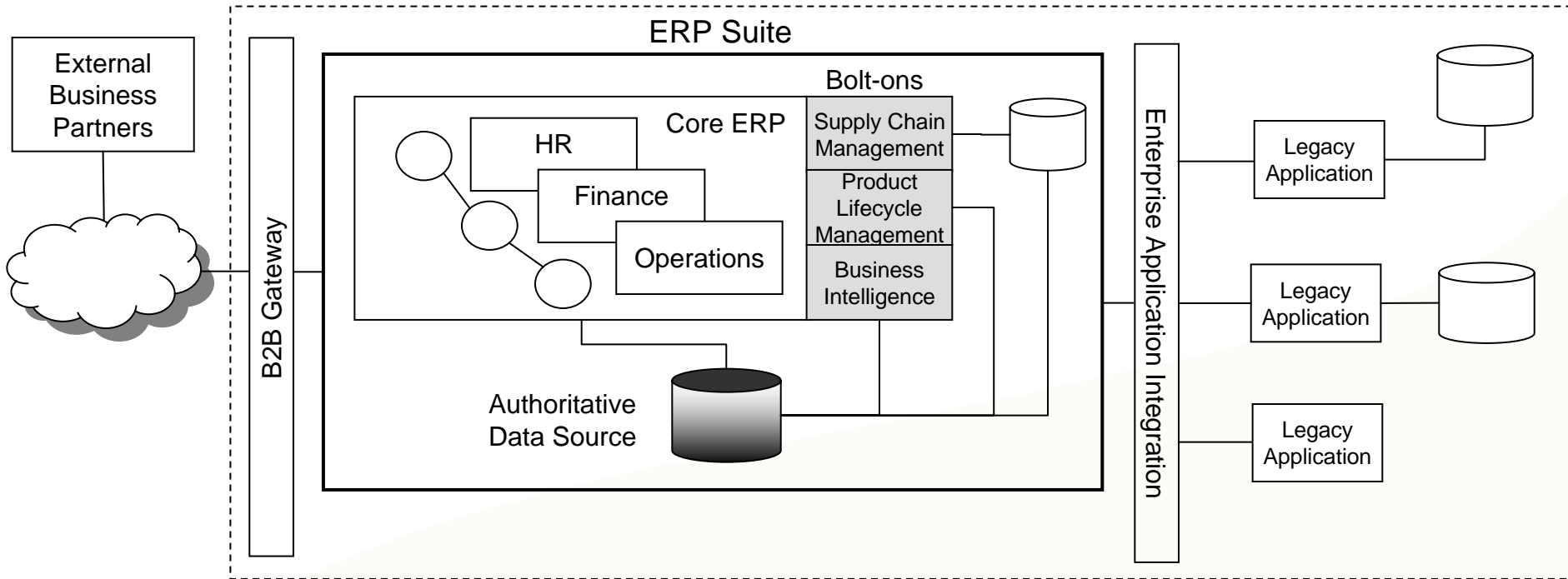
• Based on total Revenues, AMR Research 2004

Who are the ERP Service Providers?

Figure 2. Magic Quadrant for North American ERP Service Providers, 2005



ERP Core Systems and bolt-ons



Core ERP Functions:

- Human Resources
- Finance
- Operations

■ Bolt-ons (Add-ins)

- Advanced Planning & Scheduling
- Asset Management
- Customer Relationship Management
- Distribution Management
- Energy Management
- Environmental Health and Safety
- Facilities Management
- Procurement
- Supplier Relationship Management
- Supply Chain Management
-and more

Roles of Vendor vs System Integrator (SI)

■ Vendor Strengths

- Skilled in Application
- Help Desk Support of Application
- Supports Software (patches, fixes, application bugs)

■ System Integrator Strengths

- Project Management Skills (PMP)
- Change Management and Training Development Skills
- Integration of ERP application with legacy systems
- Use of application in business areas and best practices with ERP
 - Finance
 - Human Resources
 - Operations
- Gap resolution with 3rd party tools and bolt-on applications
- Focus on Industry/Business Area



Case Study – Multi National Humanitarian Agency



Multi-National Humanitarian Agency – Engagement Background

- Client Overview: One of the largest providers of international aid and development assistance, global in scope
- Business Objectives
 - Single System (PeopleSoft) as the infrastructure to manage their global operations
 - Required an integrated system to be used worldwide, to standardize processes and data.
 - Required business process change to simplify processes, and harmonize across county offices and participating agencies. Implementation included 3 agencies.
 - Must accomplish within one year timespan, ready at start of new year
- What was implemented?
 - PeopleSoft Financials, HRMS/Payroll, Supply Chain, EPM, Portal
 - End-to-end process transformation
 - Centralized treasury function
- What factors made it large and complex?
 - Multi-agency implementation –alignment and consensus across 3 agencies managed separately
 - Configuration for 167 country office plus HQ
 - End-to-end process transformation
 - Broad scope / functionality – integration challenges
 - Multi-national Payroll system Multi-country alignment challenges & different regulatory requirements
 - More than 100 banks and more than 500 bank accounts; Operations in all local currencies; in addition to USD and Euro; More than 15 instrument types
 - Receipt of over \$2B in funds; Automated 2-way bank interface to banks worldwide via a single banking partner
 - Implementation of commitment control/strict budgeting

Multi-National Humanitarian Agency – Critical Success Factors

- Strong sponsorship from stakeholders along with strong program management
 - Executive Sponsorship
 - IT commitment with early up front agreement on roles and responsibilities
 - Strong PMO and governance rules to quickly identify and escalate issues
 - Visible and enthusiastic participation by project sponsors in decision making process
- Collaborative Approach to build commitment and energy
 - Aggressive scope and timeline to be met where decision making is traditionally by consensus
 - 'Timeboxing' of project phases, and use of ASE as an accelerator to enable us to come to closure on open issues
- Commitment to Strong Change Management Program
 - Involvement of key users/stakeholders throughout extended in key design sessions
 - Solid training strategy to support over 6000 users spread across 140+ countries
 - Regional workshops and train-trainer approach utilizing web based on-line training tools
- Continue to support on-going business needs and initiatives
 - Providing ongoing production support to client team
 - Continue to implement enhancements
 - Assisting with planning for Wave 2 project

Multi-National Humanitarian Agency – Results

■ Lessons Learned

- Challenges to assimilate multi-agency requirements and multi-currency processing (in transactions, banking)
- Focus on integration points across large number of modules
- Need to set up 24X7 technical and user support
- Make sure all user groups are represented, and that the appropriate people who can make decision participate
- Make sure security is addressed early on
- Focus on data cleansing early in the process (want clean data available for testing)
- Need joint project team (client/SI) for knowledge transfer and to ensure the organization is ready to take on ownership. Cannot effective do knowledge transfer as an afterthought through training
- For multiple entities, make sure there are resources to test all functionality for each entity.
- Don't fall behind on system maintenance (e.g., patches and bundles)
- Keep workflow simple and standardize as much as possible
- Make sure help desk has solid understanding of the application, and the specific configuration. Define escalation process and team.

■ Successes

- Achievement of Design, Configuration and Implementation milestones within budget despite aggressive schedule and high complexity
- High Level of client participation and buy-in, worldwide
- Consistent application of policies and processes across the entity (e.g., rules surrounding entitlements, proration, etc.)
- Centralization of payroll processing, and ability to provide employees with information related to pension, benefits, deductions, PTO, etc.
- Consistent application of rules surrounding life insurance contributions, segmentation and proration
- Standardization of job titles
- Access to Project information across the organization
- Integrated commitment control
- Ability to provide data to donors, partners and other external agents
- Implemented automated approvals through workflow
- Improved ability to forecast cash flow
- Centralized Treasury functions, and implemented banking interface to streamline business across offices and with partners
- Ability to do online procurement & integration across supply chain

Summary

- ERP Implementations are large and complex
 - Many integration points with system modules and internal legacy systems
 - Leveraging 'best practices' of system WILL result in CHANGE
 - To support and maintain changes as well as decisions made need strong and involved executive support
 - Use experienced SI with strong credentials in delivering successful ERP programs
- Not a systems project but MUST be a BUSINESS project
 - Leadership and sponsorship should come from the functional business area(s)
 - Clearly identify business case and expected results (Who, What, Where, When, How) – measure throughout not just after
 - Need collaboration and strong participation of stakeholders during design to create successful model and momentum
 - Change Management strategy and practices are key to success of program implementation and sustainability